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Attorney for Maloney, Bean, Horn and Hull, P.C.

# IN THE UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF TEXAS DALLAS DIVISION

OBJECTION OF MALONEY, BEAN, HORN and HULL, P.C.
TO SUPERIOR AIR PARTS, INC.'S SECOND AMENDED
DISCLOSURE STATEMENT AND, ALTERNATIVELY,
MOTION FOR PROTECTION AND/OR TO ESTABLISH ESCROW ACCOUNT

Maloney, Bean, Horn and Hull, P.C., a creditor herein, on behalf of itself and local counsel and experts retained by Maloney, Bean, Horn and Hull, P.C. (hereinafter collectively referred to as "MBHH"), by and through the undersigned counsel, files this Objection to Superior Air Parts, Inc.'s Second Amended Disclosure Statement and, Alternatively, Motion for Protection and/or to Establish an Escrow Account and would show the Court as follows:

OBJECTION OF MALONEY, BEAN, HORN and HULL, P.C.
TO SUPERIOR AIR PARTS, INC.'S SECOND AMENDED
DISCLOSURE STATEMENT AND, ALTERNATIVELY,
MOTION FOR PROTECTION AND/OR TO ESTABLISH ESCROW ACCOUNT
Page 1 of 6

I.

#### **BACKGROUND**

- On December 31, 2008, Superior Air Parts, Inc. (hereinafter "Superior") 1. filed a voluntary petition for bankruptcy under Chapter 11 of the United States Bankruptcy Code.
- As stated in the Debtor's Second Amended Disclosure Statement, 2. Superior carries product liability insurance. From 2004 forward, that insurance was subject to a deductible for both fees and indemnity.1 At the time of Debtor's voluntary petition, there were multiple product liability suits pending against Superior arising from five (5) separate occurrences which triggered the policies. These policies included the deductible obligations of Superior. These multiple product liability suits were automatically stayed by the filing.2
  - An Order to Lift Stay is effective July 15, 2009. 3.
- While the Chapter 11 case has been pending, a sixth tort suit has been 4. filed against Superior arising out of a sixth separate occurrence,<sup>3</sup> a claim for indemnity has been made in an existing suit 4 and a scheduled claimant will file suit against Superior on July 15.5

Henderson

While the plaintiffs' agreement to not seek recovery from the Debtor relieves the estate of the indemnity obligation, the Debtor's duty to pay fees is owed to the movants herein who are also creditors of the

Kirkwood, Luyster, Chvigny, Desch, Whitefield and Henderson. See Exhibit "A;"

<sup>&</sup>lt;sup>3</sup> Hudson v. Superior et al.

A.E.R.O. v, Superior (new Henderson suit)

- 5. As a result, the eight (8) lawsuits and indemnity claim will require a defense upon the stay being lifted this week.
- 6. MBHH has served as Superior's national products liability insurance defense counsel since 1988 (21 years) and is counsel of record in each of the 8 lawsuits.
- 7. In each of the pre-petition lawsuits, MBHH has retained local counsel and/or expert witnesses on Superior's behalf to protect Superior's legal interests. See Exhibit "B" attached hereto listing said local counsel and experts. Most of these persons are also creditors of Superior's estate, with proofs of claim on file for past services rendered to Superior for which they have not been paid.
- 8. MBHH will be required to retain additional local counsel and experts for the two (2) newly filed lawsuits and claim.
- 9. As noted in the Debtor's Second Amended Disclosure Statement, Superior is responsible for the first 10% of defense costs for year 2004 and \$350,000 for each year thereafter up to an annual aggregate of \$875,000. MBHH estimates that the legal service providers will incur approximately \$120,000/month in fees and costs going forward from July 15, 2009.
- 10. Superior has not reached the per occurrence deductible in <u>any</u> of the lawsuits.
- 11. It does not appear that any Plan of Reorganization will be confirmed and approved by this Court until late August or early September of 2009.

OBJECTION OF MALONEY, BEAN, HORN and HULL, P.C.
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12. In Superior's Second Amended Disclosure Statement and Plan, Brantly International, Inc. ("Brantly") has purportedly promised to pay all defense costs within the deductible. However, Brantly is not yet the Reorganized Debtor, and there is no assurance at this point that such will be the case. Meanwhile, MBHH and its local counsel and experts will be required to take action to protect Superior in the ongoing litigation without any agreement from any party that MBHH will be paid.

13. The consequences of MBHH refraining from further action to protect Superior are uncertain, but could pose additional financial harm to Superior as it is anticipated that the insurers will decline to make any payments for legal fees, expenses or indemnity until Superior's deductible obligations are satisfied.

### **OBJECTION AND MOTION**

- 14. MBHH can find no reference in Superior's Second Amended Disclosure Statement as to how MBHH and its local counsel and retained experts are to be treated for their pre-petition claims or for their work on behalf of Superior once the Stay Order was lifted, effective July 15, 2009. <sup>6</sup>
- 15. MBHH seeks the Court's intervention and direction as to how to proceed under the circumstances. In order to protect Superior in litigation where it is a defendant and in order to allow MBHH to provide the representation required, MBHH suggests that an escrow account be established wherein \$175,000 be deposited for the

Neither MBHH nor the other service providers are prepared to begin working for the Debtor on July 15, 2009 only to be treated as unsecured creditors.

anticipated legal fees and expenses expected to be incurred from July 15, 2009 through September 1, 2009. The funds would be distributed only upon receipt of invoices for legal fees and expenses as approved by the Court. If Brantly is to assume the insurance deductible obligations as stated in Superior's plan, the escrow account can either be funded by Brantly or funded by Superior with the understanding that Brantly will reimburse Superior at closing.

16. In the alternative, MBHH will abide by whatever remedy, equitable or otherwise, fashioned by the Court

Wherefore, Premises Considered, MBHH objects to Superior's Second Amended Disclosure Statement and, in the alternative, respectfully requests that the court order that \$175,000 be placed into an escrow account for the purpose of paying Superior's product liability defense costs from July 15, 2009, until September 1, 2009, that further funds be set aside should the plan not be confirmed by September 1, 2009, and for such other and further relief to which MBHH would show itself justly entitled.

DATE: July 17, 2009

Respectfully submitted.

Kevim H. Good

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Attorney for Maloney, Bean Horn and Hull, P.C.

### **CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a true and correct copy of the above and foregoing document was served on July 17, 2009 via email upon Stephen Roberts, Esq., counsel for the Debtor, and David Parham, Esq., counsel for the Unsecured Creditors' Committee, and via postage paid First-Class U.S. Mail upon the parties on the attached service list.

### SUPERIOR COURT OF THE STATE OF CALIFORNIA FOR THE COUNTY OF LOS ANGELES NORTHERN DISTRICT

CHERYL KIRKWOOD, INDIVIDUALLY, AND AS GUARDIAN AD LITEM OF	)	CASE NO. MC018415
CORY MANNING, A MINOR, AS SUCCESSOR IN INTEREST AND AS A DEFENDANT	)	ANSWER AFFIRMATIVE DEFENSES OF
PERSONAL REPRESENTATIVE OF THE INC.	)	SUPERIOR AIR PARTS,
ESTATE OF RICKY MANNING; AND TAYLOR MANNING, INDIVIDUALLY, AS SUCCESSOR IN INTEREST AND AS A PERSONAL REPRESENTATIVE OF THE ESTATE OF RICKY MANNING;	) ) ) )	AND JURY DEMAND
Plaintiffs,	)	
v.	)	
CALIFORNIA TURBINE SERVICE, INC., EXTEX, LTD., HELIPOWER SERVICE, LLC, SAN JOAQUIN ROTOR AND WING REPAIR, SAN JOAQUIN HELICOPTERS, INC., ROLLS-ROYCE CORPORATION, (formerly Allison Engine co.), a wholly Owned subsidiary of Rolls-Royce PLC, and DOES 1 through 50, inclusive,	) ) ) ) ) ) ) ) ) ) ) ) ) ) ) ) ) ) ) )	
Defendants.	)	

Stuart R. Fraenkel Kreindler & Kreindler LLP 707 Wilshire Boulevard, Suite 4100 Los Angeles, CA 90017 Counsel for Plaintiffs

Robert F. Hedrick Hedrick Smith PLLC 800 Fifth Avenue, Suite 4000 Seattle, Washington 98104-3179 Counsel for Plaintiffs

# UNITED SATES DISTRICT COURT SOUTHERN DISTRICT OF NEW YORK

ELIZABETH LUYSTER, as Executor and Administrator of the Estates of ALFRED W. ZADOW and DONNA M. ZADOW, deceased,

No. 06 CV 4166 (LMM)

Plaintiff,

Judge McKenna

- against -

TEXTRON, INC.; AVCO CORPORATION (Textron Lycoming Division); LYCOMING ENGINES, SUPERIOR AIR PARTS, INC., KS BEARINGS, Inc.

DEFENDANT SUPERIOR AIR PARTS, INC.'S ANSWER TO CROSS-CLAIMS OF GACE FLYING CLUB, INC.

Defendants.

SUPERIOR AIR PARTS, INC.

Third-Party Plaintiff.

- against -

TELEDYNE MATTITUCK SERVICES, INC.; GACE FLYING CLUB, INC.; A&P AIRCRAFT MAINTENANCE, INC.; ROBERT H. SCHELLBERG; RONALD USCHOK; AND SCOTT SIMPSON.

Third Party Defendants.

KS GLEITLAGER USA, INC.

Second Third-Party Plaintiff, - against -

TELEDYNE MATTITUCK SERVICES, INC.; GACE FLYING CLUB, INC.; A&P AIRCRAFT MAINTENANCE, INC.; ROBERT H. SCHELLBERG; RONALD USCHOK; AND SCOTT SIMPSON,

Second Third Party Defendants.

# IN THE COURT OF QUEEN'S BENCH OF ALBERTA JUDICIAL DISTRICT OF CALGARY

Lawrence Chevigny <u>and</u> Her Majesty the Queen in Right of Alberta

Plaintiffs

and

Lycoming Engines, Superior Air Parts Inc., Progressive Air Services Ltd., Lindair Services Ltd., Lance Boogmans-Smutt, Cynthia Boogsmans-Smutt and John Doe and AVCO Corporation and Textron Inc.

Defendants

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Local Counsel for Defendant Superior Air Parts, Inc.

# In The District Court of the Twenty First Judicial District In and For Garvin County, State of Oklahoma

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CLYDA WHITEFIELD, Individually and as Personal Representative of the ESTATE OF JUSTIN WHITEFIELD, deceased, and as NEXT FRIEND of DERBY WHITEFIELD and KENNEDY WHITEFIELD, Minors, and VICKIE LYNN COY, Individually, and BILL ALLEN WHITEFIELD, individually

Plaintiffs.

- AND -

MARK HUGHES and AMY HUGHES, Individually and as Personal Representatives of the ESTATE OF BRANDEN HUGHES and AMBER HENSON as NEXT FRIEND of BRANDT HENSON

Plaintiffs,

VS.

ROBERT R. CANTRELL, KEVIN G.
CANTRELL, PALO ENERGY, LLC, ADA
RANCH, LLC, CANTRELL BROTHERS
RANCH, LLC, OKLAHOMA INDEPENDENT
OF STROUD, LLC, GRAYSON
INVESTMENTS, LLC, ROBERT R.
CANTRELL, LLC, JEFF COLE, DALE
WALLACE, DIVCO, INC., SUPERIOR AIR
PARTS, INC., TEXTRON LYCOMING
RECIPROCATING ENGINES DIVISION OF
AVCO CORPORATION, TEXTRON, INC.,
NORTHWEST AERO SERVICES, THE
WRIGHT PLACE, INC., and AIRCRAFT
SPECIALTIES SERVICES, INC.

Defendants.

Lisa Lance, Esq.
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William O. Angelley, Esq. KREINDLER & KREINDLER 707 Wilshire Blvd.

No. CJ-2008-350

Judge Blalock

**VIRGINIA** 

# IN THE CIRCUIT COURT OF THE CITY OF RICHMOND JOHN MARSHALL COURTS BUILDING

ROXANNE CHERRY, Administrator of the Estate of Christopher Desch, Deceased

Plaintiff,

٧.

CASE NO. CL08004429-00

LYCOMING ENGINES, A Division of AVCO CORPORATION f/k/a TEXTRON LYCOMING RECIPROCATING ENGINE DIVISION; AVCO CORPORATION; TEXTRON, INC.; TELEDYNE CONTINENTAL MOTORS, INC.; DOMINION AVIATION SERVICES, INC.; and SUPERIOR AIR PARTS, INC.

Defendants.

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